

**ARIZONA COMMISSION OF INDIAN AFFAIRS
BOARD OF COMMISSIONERS MEETING**

MINUTES OF Thursday, March 14th, 2013 from 9:30 AM to 11:30 AM
1700 W. Washington, Suite 502 Conference Room, Phoenix, AZ 85007

Commission Members Present:

Billie Spurlin
Dan Brooks
Buddy Rocha, Jr.
Lucinda Hughes Juan (phone)
Derreck Wheeler (phone)
Nathan Pryor

Commission Members Absent:

Cedric Kuwaninvaya
Leah Hubbard
Dave Castillo

Staff Present:

Kristine FireThunder
Genevieve Medas

Michael Allison
Dawn Williams (phone)
Debora Norris
Dawn Melvin
Misty Klann
Courtney Coolidge
Keith Watkins

Mary Huyser

Members of the Public Present:

Brandon Nee, Office of Strategic Planning and Budgeting
Rene White, Department of Juvenile Corrections
Peter Denetclaw, Freeport McMoran Inc.
Shayna Berschler, Department of Gaming

CALL TO ORDER:

The meeting was called to order at 9:40A.M. The roll was called and a quorum was established.

CONSENT AGENDA:

A motion was made by Mr. Brooks to pass items on the consent agenda (minutes of February 14th, 2013) and the motion was seconded by Mr. Spurlin. Hearing no further discussion, motion passed unanimously.

CHAIRPERSON REPORT:

Mr. Pryor touched on some recent developments involving AZ Tri-Universities for Indian Education (ATUIE), which includes a collaboration of the 3 state universities: NAU, ASU, and U of A. Their meetings include participation by staff, faculty and students and discuss areas of common interest to gather best practices and generally avoid a duplication of efforts. Mr. Pryor attended the last meeting and was particularly interested in the student presentations and recruitment and retention efforts to attract Native Americans in the higher education.

Ms. Norris added that the purpose was to strengthen the communication between groups and look at where services are being provided to Native American students. For example, if students are struggling that may stem from their K-12 experience. This leads to the question of are we adequately preparing students for higher education? Are the universities prepared to take students from our K-12 systems and ensure their success? Overall, the discussion is about what it takes to create a relevant and successful education experience. The challenges have been consistent over the last 10 to 15 years.

However, the number of students completing the university system has increased and more Native Americans students are pursuing advanced degrees. Currently, there are approximately 2000 Native Americans students at ASU. However, there has been a decrease in male students. Mr. Pryor suggested that the Commission may wish to request an overview report from Tri-Universities for Indian Education (ATUIE) at a future meeting.

Mr. Pryor shared for those who do not know about the Four Tribes are those who have O'odham membership Tohono O'odham, Ak-Chin Indian Community, Salt River Pima- Maricopa Indian Community, the Four Tribes meet on quarterly basis talking about issues that confronts them. Following the last Governor's Round Table Mr. Pryor was approached by staff from Salt River Pima- Maricopa Indian Community to perhaps give an overview as to what the Commission was up to recently, that meeting is actually March 16, 2013, however, there was some kind of confusion and did not make it on that agenda, perhaps some future meeting the Four Tribes will get the opportunity to share in what the Commission is doing. This looks like a continuation of outreach to tribes going to visit tribal communities and again sharing what the Commission is doing and how the Commission can assist them an effort between the tribes and the State. Just look forward to that opportunity to resurface and will share more when it does.

DIRECTORS REPORT: None

DISCUSSION AND ACTION:

THE STATE BUDGET BY GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING –

Presentation by Mr. Brandon Nee

"The Executive Budget Recommendation for FY 2014-FY 2016." Based on Mr. Nee's power point presentation. Last year as part of the budget, they were required to do a three year look usually they look at two years in advance now they are projecting revenue through FY2016 they do not see any rapid growth the 3.0% to 5.0% is pretty conservative for Arizona depending on the time frame you look at 6.0% to 8.0% is probably a normal growth rate in Arizona the past decade they have been over 10.0% in some fiscal years. They are also not projecting any double dip recession at this time either. Mr. Nee believes the 3.0% is a 14 figure which steadily grows out to FY 2016 and the same with Employment. Mr. Nee went on to speak about Probates Revenue and the red ball you see over FY 2012–FY 2013 represents the Governor's initiative of 1 cents sales tax and that does end after this fiscal year. You can see the effect that has immediately on their revenue base. Mr. Nee shared they are not projecting with their growth rates that they would exceed their revenue level for FY 2013 until FY 2016. Mr. Nee referred to slide four which is used quite often it's just a great way to show structural balance of the Budget, you can see the black line is Revenue, red is Expenditures see the problem they had in FY 2008-FY 2011. Right now there have a short term surplus they were calling this last year their bubble budget because of the sales tax it is a onetime source of additional Funding you can see in FY 2014 after the Revenue goes away they immediately fall into a slight structural imbalance.

Last year as part of the State of the State the Governor did release what she called her Four Corner Stones, you will see those Four Corner Stone's show up again at the top of some of the slides in the presentation. Health Care we flex on that somewhat, education reform, modernization of State Government and renew Federalism, these are the three primary areas of concentration that a lot of resources were dedicated in this year's Budget. Let's start with CPS, in the last two years the number of out of home care children has increased 40% which has caused a lot of problems for CPS system. Immediately the Governor requested 50 new CPS workers with funding of \$4.4 million dollars. The Legislator has already passed that initiative and was signed January 31, 2013 by the Governor. FY 2014 then is also requesting additional 150 new CPS workers with \$18.7 million dollars in additional funding.

Mr. Nee disclosed also, there are almost \$60 million dollars in additional resource being requested and FY2013 and FY2014 the children support services those are programs for the parents to try and keep children from entering the CPS system or shortening the time there are in the CPS system or trying to lower the rate ?. Those are substance abuse treatment; counseling for parents is to make their natural home a little bit more situated. In FY 2014 you will see emergency residential placement that is group home funding. The average out of group home child is about \$3,000 dollars per month. The CPS childcare line you see there, that is childcare or daycare provided to foster parents that still allows them to work. The foster care placement money you see there is additional money that would allow CPS to continue to pay the? they pay to foster parents and also is money to help them raise awareness that there is a need for additional foster parents.

Legal support for CPS the Attorney General has also seen an increase in case work of 37% because of the growth and populations, 1.6 million and 22 FTE are for the Attorney General Legal support. The adoption caseload is another payment that is made for students with learning disabilities or medical conditions which is paid to the foster parents.

The performance funding formula that the Governor is proposing for K-12 Education has two different sources: there is Achievement Funding and Improvement Funding this is all built on the existing letter grades and 0 to 200 scores that the districts already receive. Achievement Funding is paid to districts per pupil basics with a maximum payment of \$500 dollars base currently on where there is achieving. You have to receive at least 100 points you have to be a C or higher to receive any of that, then it is a sliding scale per pupil. Improvement Funding is paid at all levels and actually decreases as you go up the scale, Improvement Funding would pay the most per pupil at the very low end of the scale. This will be phased in over a 5 year period and would eventually be 5% of the total K-12 formula a third of the money are existing dollars that will be repurpose then two third of the proposal is new money, it will be 1% and will grow each year until it is 5% in enough YT and at the bottom you can see the total effect it's 271,000,000 million dollars in funding \$181,000,000 million of that is new money, the money will be extremely flexible, the districts will be able to use this money in any way they see fit, it would not be buried in slot capital or anything pacific. One of the Governor's initiatives or the demands of the Office she is requiring that they be structured balance by the time she leaves the office, so everything that they do here is base of course, on the economy /revenue actually turning out the way that it is. Things change and Mr. Nee do not know if the Governor will waiver off of that demand, Mr. Nee believe the concept is that the schools will use the money in order to receive funding in later years as well, so as the incentive builds if you improve 10 points and then stop and you are under a hundred, you are not seeing any additional funding, so if you waste it one time a source of capital you are not likely to see any more funding. The hope is that schools will start to view this as an incentive to put it into things that will return the best results.

These are other K-12 funding issues common core \$61.0 million dollars, this is to help the districts implement common core standards that could be? for teachers continuing education, it could be programming or books, it can also be spent on technology to help implement common core and prepare for the cork examine. The data system which is an ongoing project is a student record data base is believed to be about \$13.0 million dollars was put into the system last year and an additional \$7.0 million dollars when finished. The School Safety (SROs) these will double the number of school resource officers this is directly aim at school safety.

The career and Tech Ed. Money that you see there is a contract or a project they will be doing with Microsoft that will be rolling out to the schools it will be Microsoft IT Academy students will have the ability to leave high school with a Microsoft Certification.

Performance Funding at Universities this is a 3 year project instead of 5 years it ends up being over \$60.0 million dollars Mr. Nee was not sure how that rumps up. The Performance Funding formula at Universities then will have 3 or 4 different components to take into account, student graduation, will also take into account students that are enrolled in course work, they have notice NAU a lot of students will spend their beginning of their 10 years at NAU then move to ASU or UofA and graduate, so if you just base the formula on degrees earned NAU tends to lose out so some of the formula is also base on number of credit hours being taken by students.

This is the second year for parity funding it's a 5 year funding structure it started last year, so FY 2012 the legislator told the Board of Regents they need to do a study on per pupil spending the? University determines that the Uof A was the highest. The parity funding is intended to catch the other two schools up. You will see money for soft capitals; soft capital is for anything that is not nailed down.

Mr. Nee reference to the PowerPoint handout for Health Care, at the bottom you will see different Medicaid populations on the vertical axis you will see the percentage of the Federal poverty limit. The light blue color is the original Medicaid when Arizona decided to start a Medicaid program, you will see in the dark blue and also in the red you have the Prop 204 expansion that happened 2000, voter initiative to add those populations, the Governor's office asked the federal Government if they will help fund those populations and they did. You will see the percentages on the bar which is the federal match rate. The dark purple you see in children, and then also the yellow was the ACA population expansion and originally the federal Government tried to make all of this mandatory, and when they make something mandatory it means if you chose not to cover a population and they don't accept a waiver to not include that population, you don't receive any funding. The Supreme Court ruled that they couldn't do that, they had to separate out the parent and childless adult populations that is what's driving the discussions now, whether you chose to expand or not to include those populations. A decision that is being made on January 1, FY 2014, they have froze the childless adult population in the beginning of FY 2012. The population was frozen, everybody that was on could stay on but no new childless adult brought into the system. They received a waiver that does expired not to fund and not run a Medicaid program for that population and that expire January 1, 2014. Mr. Nee revealed that he do not believe the federal government would renew that waiver, therefore they would likely be forced to fund the childless adult population, they don't believe that the federal government would only allow them, unless they pay for the whole thing to only fund to a 100%. The 85% match is what is being offer under ACA and then the expansion population is funded for the first 3 or 5 years at 100%, eventually that population just grows together and there is a funding of 90% from 0 – 133% federal poverty limit.

The exchange subsidies the federal government is offering 150% federal poverty limit which is over 90% they will pay for health care in the exchange. They is a situation if they do not chose to expand they could have a part of the population that is receiving subsidies to pay for a vast majority of their health care cost then they have their poorest population receiving no assistance whatsoever.

Mr. Nee relayed that the demand on the state to expand you will see also the federal dollars that comes into the state as a result of that expansion. The federal match is the amount of money on top of what they are receiving now for the childless adult that is still in the system.

The beginning of FY 2012 - July 2011 the freeze goes into effect and you could see the decrease in the childless adult population is having on the total Medicaid population; they have lost 150,000 just over 200,000 childless adults. So then you can see the coming decision on January 2014, all the remaining 57,000 would drop off unless they chose to expand. The media reports a lot of different numbers so you will see 2.0 billion dollars coming into the state or 1.7 billion dollars it depends on your starting point, if

you start where they are right now is 1.7 billion. The decision really is do they have no body or everybody on is about 2.0 billion dollars.

One of the big problems for Arizona in the Governor's initiatives to be economically competitive what is the neighboring States doing, every State around us except Utah who have not made a decision and probably won't until 2014 is expanding, if they don't take advantage of the federal money that is being offered to them, they are essentially allowing other states to take advantage of their tax money.

As part of the expansion recommendation the Governor is recommending circuit breaker language, the population would eventually reach a point where the federal government is paying 90%. If they try and do a day and switch and then try to lower that amount and require the States to pay for a program they implemented they would have a language inserted, that if the share drops below 80% it would end the childless program. Both the expansion and the 204 expansion going from 0 – 100 which are the current Prop 204 population and also the new ACA population would be under provider assessment. You would see that provider assessment actually ends up bringing some money into the system that the Governor feels like it does provide some money to do other things. They are actually seeing an impact with the general fund because of the provider assessment where they will save general fund money with this proposal. So what does that mean after all the Governor's proposals? You can see FY 2014 they are more in a structural deficit in 2014 and by FY 2016 the Governor's mandate they will be structural balance again, so even with all the spending and the proposals that are in her package it is still a structural balance budget even without her billion dollar sales tax as was promised as temporary.

Mr. Nee pointed out through his power point presentation – Where we end up provides an idea of the general fund ending balances in each fiscal year all of this is happening without touching the balance in the rainy day fund. The structural balance does not include her 1% sales tax, FY 2013 we are structural in balance and they stay that way until FY 2016.

Mr. Brooks asked Mr. Nee how the money is allocated to the American Indian Communities, Mr. Nee replied with I do not know how it works for the Indian population. Ms. Norris disclosed that everybody is separate and her recommendation is to get a representative on "READ."

PRESENTATION ON SEQUESTRATION AND THE EFFECTS ON IMPACT AID –By Debora Norris "Federally Impacted Schools and Sequestration."

Through the power point presentation, the Board of Commissioners Meeting were able to see how the Sequestration would affect the Impact Aid funds to the Native American Indians Schools education programs and activities, where the Annual Tribal Report shows an allotment of \$5,000 in funds.

Ms. Norris disclosed that one thing we should know is that Impact aid is one of those programs that go through the department of Education at the State privately. In this case the Department of Education does not allocate Impact Aid dollars it does not even pass through. If we do not allocate other programs such as Title 1, which is very, very big and important to our district, however, I can share with you what the impact will be on Sequestration. If you do not know what impact aid is, it is money directly from the federal government towards school districts in the State of Arizona that are considered at large a burden to the district because they do not have private property taxes coming in. That is so, because our schools districts on the reservations cannot tax home owners for every time you make a house payment, \$200.0 dollars goes to our school, that's way it is here in the cities. Are they Private properties? Yes, they belong to Tribal Government; they belong to the Federal Government. The Federal Government has formed a relief program for each school district that is called impact Aid. It is applies to all federalize land, so for our kids in Arizona which is very important, because 40% of our state land is federalize either

through reservation or international or military basics so this is going to affect our state a whole lot more than any other state. We are the most federally impacted state we have the most schools, we have the highest numbers of federally impacted students. So that is going to hit our budget very, very hard down at the local school district.

So when we look at the federally impacted programs they are, you see that Native Americans is the largest population, so again the military, also it pertains to low rent housing not a very, very small portion was impacted, so obviously, we can see that our Native Americans students are the biggest part of the package. As I said, it's not lost money that we cannot turn around and asked our private property taxes to relieve us when we need impact aid.

Ms. Norris refers to her hand-out on "Federally Impacted Schools and Sequestration" to see directly what the districts in Arizona was to suppose to get for impact aid relieve, in the first column the federal government compares what you can get and the last column is what there are likely to get in fact they going to get less than that even though there are 100% LOTS-which stands for learning opportunity it's a federal government wage and prioritize payment for those that have higher need, such as 100% would get their money first and would get more money. And the LOT discrimination goes down they may get lesser dollars and they would get their money until the 100% LOTS get their money and so forth. So a lot of our districts are 100% LOT but even then if you have a 100% LOT at this time you are only get about 83% or 75% from the district revenue tax, so Ms. Norris communicated she just wanted to show the Commission what they supposed to be getting. As you can see our reservation district our largest reservation district \$24 Million dollars a year would be getting a lot less, 90% of our natives' students are in public schools and not in the bureau schools.

One way the tribal community looks at this is that these are really base on treaty rights, it's not federal programs, these are treaty rights, and the federal government has treaties with leading communities. In Arizona we have 84 schools that receives federal Impact Aid and as you can tell that some of them are on our reservation land our native land and then it get much, much lower as you go through the total civilian, the military off and on, low rent housing and the amount of money can be anyway from \$10 Thousand to \$20 Million dollars. Base on what Ms. Norris have seen the Sequestration will result in immediate cuts which will take them back to fiscal year 2009 funding, as you look at the figures as Ms. Norris refers to her hand out.

Ms. FireThunder asked if the school districts have received a copy of Superintendent John Huppenthal letter of support and the answer was no.

RECOMMENDATION BY SUBCOMMITTEE ON PLANNING AND PRIORITIZATION TO REQUEST AGENCY PRESENTATIONS ON TRIBAL CONSULTATION EFFORTS AND PERFORMANCE MEASURES – By Dave Castillo

Tabled for May 16th, 2013 meeting

FUTURE MEETING:

Thursday, May 16th, 2013 from 9:30 A.M. to 11:30 A.M. at 1700 W. Washington Street, Suite 502 Conference Room, Phoenix, AZ 85007.

FUTURE AGENDA ITEM:

1. Work completed to date in response to Hopi needs
2. Presentation and update on Regional Haze and Navajo Generating Station by ADEQ
3. Arizona Road/Street Conference - Misty Klann

CALL TO THE PUBLIC: None

ADJOURNMENT: The meeting adjourned at 11:20 A.M.